

Consultative Group on International Agricultural Research

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CGIAR 1987 Financial Report

Summary:

1. The system continued to benefit from the weakening of the US dollar for the second year in a row. Core contributions rose by \$9.4 million, (1986 increase: \$22 million) to reach \$201.6 million in 1987. While the weak dollar put upward pressure on spending in several centers (para 4 below), the system as a whole benefitted from low rates of cost increases. Inflationary pressures remained in check in industrialized countries and this was reflected in modest salary increases for international staff. Rates of price increases, measured in dollars, in most host countries were moderated by the on-going programs of devaluation. Overall, in 1987 inflationary cost increases are estimated to have been 4% as compared with 6% in the past three years. The forecast for 1988 remains at 5%.

Center funding

2. The healthy funding picture allowed most center programs to be fully financed in 1987. Furthermore, the 1987 system wide funding needs were reduced by favorable local currency adjustments during 1986 - the downward realignment of national currency in 1986 in Nigeria (\$4.9 million) and rapid devaluation in Mexico (\$0.7 million) partially offsetting temporary stoppage of devaluation in Peru (\$1.3 million). Consequently, the stabilization fund was augmented by \$6.7 million, the remainder of the \$30 million World Bank contribution after meeting the center needs. (see para 3 below.)

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Distribution

CGIAR Members
TAC Chairman
Center Board Chairpersons
TAC Members
TAC Secretariat
Center Directors

World Bank contributions

3. As the balancing donor in the CGIAR, the World Bank allocated its 1987 funds after other donor intentions were known. To fully fund the approved programs of the centers the Bank contributed \$23.3 million to twelve centers, IBPGR being the only center not requiring any Bank funds. Of the twelve, CIP and CIAT needed less than 5% of their approved funding from the Bank. The distribution of the Bank grant among centers improved as only five centers (six in 1986) required contributions larger than 15% of their approved funding levels. The remaining five received contributions ranging from 5% to 15%.

Stabilization fund

4. The weakening of the US dollar put cost pressure on centers with significant spending in currencies moving opposite to the dollar -- ICRISAT for its West African operations in CFA (linked to the French Franc) and ISNAR for its headquarters spending in the Netherlands. ISNAR reduced the financial impact by arranging forward currency purchases in late 1986 before the downturn in the dollar exchange rates. However, this was only partially possible for ICRISAT due to its more complex financing structure. In addition, during 1987 ICRISAT was required to revise its local salary scales. Consequently, ICRISAT claimed \$1.9 million from the stabilization fund. Although there were adverse changes in local inflation rates or dollar exchange rates particularly in case of WARDA, CIMMYT and IRRI, none appeared significant enough to warrant a call on the stabilization fund in 1987. The only other transaction was the fund claiming \$0.5 million from ICARDA due to favorable local exchange rates. The net result of these two transactions, \$1.4 million outflow, compares with inflows of \$6.7 million in contribution (para 2 above) and \$0.8 million interest so that the fund increased by \$6.1 million during 1987. At the start of 1988 some \$18 million was available to meet future inflation/exchange rate risks.

Donor performance

5. Of the forty odd donors to the CGIAR, 34 contributed to the core programs of the centers in 1987. The Leverhulme Trust withdrew in 1987, while Brazil, Saudi Arabia, the Kellogg Foundation and UNEP remained inactive. The Asian Development Bank did not contribute core funds in 1987, though it has an active program of support to several special programs of the centers.) Discussions on new memberships are active with several potential donors. Another factor was the reduction in the contributions by the US and Australia. Fortunately other members provided more. The major system donors (Canada, Germany, IDB, Italy, Japan, the U.K.) as well as

Denmark increased their support in 1987. Most noteworthy were a doubling of its contribution by Finland and a 30% increase in the French contribution. Overall, exchange gains against the dollar was the principal factor for an increase in total contributions over 1986.

Funding composition

6. Reflecting the changed exchange rates and relative changes in donor support, the proportion of dollar contributions dropped below 50% for the first time, amounting to 46% of the total. This compares with 51% in 1986 and 58% in 1983. Since centers make over 50% of their expenditures in dollars, this slight mismatch in currency funding and spending exposes centers to possible currency risk in the future. Donor disbursements to centers lagged in the first half of 1987 with only about 39% of pledged funds disbursed (1986 - 51%). By year end 8% of the pledged contributions remained undisbursed.

Center expenditures

7. In aggregate, spending on operations was very close to the levels planned at the start of 1987. Centers spent \$189 million on operations, \$13.8 million or 8% more than in 1986. Some 15% of the spending is in the form of commitments made against expected deliveries in 1988. In view of the moderate inflationary cost increases (para 1 above) this allowed spending to increase in real terms by about 4%. Centers also spent \$14 million on capital items, about the same as in 1986, by making additional investments in new construction and equipment acquisitions. Funds set aside in the form of increased operating funds or reserves to cover potential liabilities amounted to about \$4 million.

8. In real terms, operational expenditures by CIMMYT, ICARDA and ILCA registered marginal declines from the 1986 levels. Expenditures rose relatively rapidly in case of ICRISAT, IFPRI, ILRAD, ISNAR and WARDA. (Although on a comparable basis WARDA expenditures declined from 1986, the portion counted within the CGIAR rose reflecting the group decision to include WARDA's total spending within the CGIAR.) While these changes from 1986 are reflected in the financial calculations, none of the centers identify them as being of major operational significance. They appear to be a result of recruitment leads and lags and rephasing of work programs.

Program expenditures

9. The aggregation of center spending in terms of the CGIAR program structure also shows little variation from plans. Research programs absorbed \$84.5 million while \$20.1 million was spent on research support with the two accounting for 55% of the total spending. In real terms, research and research support rose at a slightly lower rate than the total spending. Expenditures on administration and general overhead rose at a more modest rate of 2%. The program category strengthening of national systems (information, communication, networks etc.) posted the strongest growth, rising 8% in 1987. Within the research category spending increased fastest in case of beans, food policy, and livestock diseases. Spending was up for most commodities except wheat, maize and livestock production which probably reflects below budget spending by CIMMYT and ILCA (para 8 above). While these observations are subject to the usual qualifications inherent in such aggregate analyses, the 1987 pattern of spending does not appear to reflect any major redirection of research priorities.

1988 funding outlook

10. At ICW87 the secretariat estimated 1988 funding at \$207 million. Subsequently the US dollar further weakened and the estimate was revised upwards. Centers have been asked to plan on the basis of full funding of approved programs. At March 31 exchange rates the estimate stood at \$217 million. Unless there is a major shift in the exchange rates or the economic climate in center host countries, the projected funding will allow setting aside additional funds for the stabilization fund after financing the center programs.

Annex tables 1 thru 5 provide financial data as follows:

- Table 1: CGIAR core funding by donor - 1986 and 1987.
- 2: CGIAR core funding by center - (1984-1988).
- 3: World Bank contribution and payments from the stabilization mechanism by center - (1984-1987).
- 4: i. CGIAR core operating expenditures by center -(1984-1988)
ii. CGIAR core capital expenditures by center - (1984-1988)
iii. Inflation rates by center - (1984-1988)
- 5: Core operating expenditures by program and commodity/activity
- (1984-1988).

CGIAR Core Funding by Donor (1986-1987)
(in millions of units)

1986 ^{1/}			1987 (est.) ^{1/}		
National Currency	Exchange rates at disbursement	US \$ equiv.	National Currency	Exchange rates at disbursement	US \$ equiv.

Part I countries

Europe

Austria (US \$)	-	-	1.00	-	-	1.00
Belgium (Bfr)	66.18	37.39	1.77	97.17	35.36	2.75
Denmark (DKR)	13.70	8.30	1.65	16.00	7.08	2.26
Finland (Markka)	5.00	5.05	0.99	10.00	3.94	2.28
France (FF)	14.45	6.75	2.14	19.59	6.08	3.22
Germany (DM)	17.02	2.12	8.03	19.30	1.86	10.37
Ireland (Punt)	0.43	0.74	0.58	0.47	0.68	0.69
Italy (Lire)	5000.00	1438.06	3.48	5000.00	1207.25	4.14
(committed in US \$)	6975.00	1438.06	4.85	7183.00	1207.25	5.95
Netherlands (Dfl)	15.56	2.34	6.65	11.32	2.02	5.59
Norway (Nkr)	22.81	7.31	3.12	22.12	6.85	3.23
Spain (US \$)	-	-	0.50	-	-	0.50
Sweden (Skr)	31.00	7.38	4.20	31.00	6.38	4.86
Switzerland (Sfr)	5.73	1.95	2.94	7.75	1.59	4.88
(committed in US \$)	8.13	1.95	4.17	4.39	1.59	2.76
United Kingdom (Pound)	5.71	0.68	8.40	6.29	0.61	10.26
Subtotal			54.47			64.74

Other Part I countries

Australia (Aus \$)	6.46	1.43	4.52	4.44	1.52	2.93
Canada (Can \$)	14.80	1.39	10.66	15.80	1.34	11.81
Japan (Yen)	2427.44	152.77	15.89	2580.13	143.50	17.98
United States (US \$)			46.25			40.22
Subtotal			77.32			72.94
Subtotal Part I countries			131.79			137.68

Developing countries

Brazil	-	-	-	-	-	-
China (US \$)	-	-	0.50	-	-	0.30
India (Rupee)	6.31	12.61	0.50	6.49	12.98	0.50
Mexico (Peso)	162.94	814.69	0.20	220.00	2200.00	0.10
Nigeria (Naira)	0.65	3.42	0.19	0.75	4.17	0.18
Philippines (Peso)	5.51	20.39	0.27	5.46	20.73	0.26
Subtotal			1.66			1.34

^{1/} Several donors are also contributing to centers' special projects.
For details see CGIAR centers' audited financial statements.

	1986			1987 (est.)		
	National Currency	Exchange rates at disbursement	US \$ equiv.	National Currency	Exchange rates at disbursement	US \$ equiv.
<u>Middle Eastern countries</u>						
Arab Fund (Dinar)	-	-	0.34	0.10	0.31	0.37
Saudi Arabia	-	-	-	-	-	-
			-----			-----
Subtotal			0.34			0.37
<u>Foundations</u>						
Ford (US \$)	-	-	0.90	-	-	0.94
Kellogg	-	-	-	-	-	-
Leverhulme Trust (US \$)	-	-	0.62	-	-	-
Rockefeller (US \$)	-	-	0.93	-	-	0.88
			-----			-----
Subtotal			2.45			1.82
<u>International Organizations</u>						
African Dev. Bank (SDR)	0.49	0.83	0.59	0.50	0.70	0.71
Asian Dev. Bank	-	-	-	-	-	-
EEC (ECU)	6.72	0.94	7.14	6.90	0.85	8.15
(US \$)	-	-	-	-	-	1.00
IDB (US \$)	-	-	9.39	-	-	10.28
IDRC (Can \$)	1.64	1.39	1.18	1.18	1.35	0.87
IFAD (US \$)	-	-	0.45	-	-	0.25
OPEC (US \$)	-	-	0.47	-	-	0.51
UNDP (US \$)	-	-	8.42	-	-	8.66
UNEP	-	-	-	-	-	-
World Bank (US \$)	-	-	28.40	-	-	30.00
			-----			-----
Subtotal			56.04			60.43
Total			192.20			201.64
<u>Memo items:</u>						
Contribution in US\$			97.80			93.40
(percentage of total)			(51%)			(46%)
Cumulative						
Disbursements by quarter (%)						
Quarter 1			22			16
Quarter 2			51			39
Quarter 3			88			81
Quarter 4			98			92

Table 2

CGIAR Core Funding by Center (1984-1988)
(In US\$ millions)

	1984	1985	1986	1987 ^{1/}		1988 ^{2/}
	Actuals			Approved Funding	Estimate	Approvals
CIAT	23.5	21.2	22.0	23.2	24.0	24.1
CIMMYT	20.7	19.4	21.3	23.1	23.3	24.3
CIP	9.7	10.2	13.3	12.9	12.8	15.3
IBPGR	4.0	4.2	5.1	5.1	5.5	6.0
ICARDA	21.0	17.8	18.0	19.2	18.3	19.0
ICRISAT	21.0	20.3	25.0	24.7	26.2	25.5
IFPRI	4.3	4.4	4.9	5.5	6.0	8.3
IITA	20.9	20.4	21.1	20.2	19.9	21.8
ILCA	12.6	13.8	15.2	14.4	14.7	17.4
ILRAD	9.3	8.7	10.6	11.5	11.0	13.0
IRRI	19.7	21.0	24.2	25.7	24.9	25.8
ISNAR	3.3	3.7	4.5	5.2	5.5	6.5
WARDA	2.0	2.5	3.1	4.2	4.2	5.3
Total	172.0	167.6	188.4	194.9	196.3	212.3
Stab. Fund. ^{3/}	1.0	2.6	3.8	5.3	5.3	-
TOTAL	173.0	170.2	192.2	200.2	201.6	212.3

^{1/} Original approved funding of \$196.2 million as adjusted for 1986 inflation (CIMMYT, CIP, IITA and ILCA) and technical adjustments (CIAT, ICRISAT, IRRI and WARDA).

^{2/} Original approved funding of \$210.3 million as adjusted for 1987 inflation (ICRISAT), inclusion of external review costs (ICARDA) and revision of the WARDA program.

^{3/} The stabilization fund buffers centers' budgets against exchange rate and inflation rates fluctuations.

Table 3

World Bank Contribution and Payments from the
Stabilization Fund by Center (1984-1987)

	World Bank Contribution				World Bank Funding as Percentage of Centers' Approved Funding			
	Actual				Actual			
	1984	1985	1986	1987	1984	1985	1986	1987
CIAT	1.33	1.30	0.75	1.00	6%	6%	3%	4%
CIMMYT	1.54	2.00	1.69	2.20	8%	10%	7%	10%
CIP	0.04	0.40	0.10	0.25	0%	3%	1%	2%
IBPGR	0.44	0.25	-	-	12%	4%	0%	0%
ICARDA	4.87	4.75	4.50	4.80	23%	24%	23%	25%
ICRISAT	1.38	0.70	0.50	2.08	5%	4%	2%	8%
IFPRI	0.82	1.22	1.28	1.35	20%	26%	25%	25%
IITA	4.90	5.00	4.50	4.20	23%	24%	20%	21%
ILCA	2.68	3.26	3.20	2.00	21%	23%	21%	13%
ILRAD	1.57	1.20	1.40	1.25	17%	13%	13%	11%
IRRI	0.90	2.00	1.50	2.10	4%	9%	6%	8%
ISNAR	0.92	0.96	0.80	1.06	27%	23%	21%	21%
WARDA	0.71	0.75	0.73	1.00	24%	24%	25%	24%
Total	22.10	23.79	20.95	23.29	13%	13%	11%	12%
Stab Fund	2.20	4.31	7.45	6.71				
TOTAL	24.30	28.10	28.40	30.00				

	Payments from Stabilization Fund			
	Actual			
	1984	1985	1986	1987
CIAT	-	-	-	-
CIMMYT	-	-	-	-
CIP	-	-	1.30	-
IBPGR	-	-	-	-
ICARDA	0.50	0.50	0.20	(0.50)
ICRISAT	-	0.25	1.75	1.92
IFPRI	0.12	-	-	-
IITA	-	-	- ^{a/}	-
ILCA	0.36	0.49	-	-
ILRAD	-	-	-	-
IRRI	0.22	0.50	-	-
ISNAR	-	-	0.42	-
WARDA	-	-	-	-
Total	1.20	1.74	3.67	1.42

^{a/} The claim of \$3.5 million by the fund on IITA due to the Naira devaluation in October 1986 was waived to allow IITA to rebuild its working capital.

CGIAR Core Expenditures by Center (1984-1988)

I: CGIAR Core Operating Expenditures by Center (1984-1988)
(In US\$ millions)

	<u>Actuals</u>			<u>Plans</u>	<u>Estimates</u>	<u>Proposals</u>	1987 Estimates vs 1986 Actuals
	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1987</u>	<u>1988</u>	<u>%</u>
CIAT	21.44	20.61	21.29	21.96	22.31	23.39	5
CIMMYT	20.32	21.01	21.43	21.98	21.84	23.40	2
CIP	9.88	9.61	12.46	12.97	12.90	14.53	4
IBPGR	4.10	4.26	4.77	5.17	5.12	6.00	7
ICARDA	14.78	16.00	17.99	19.37	18.48	19.60	3
ICRISAT	16.75	18.81	20.65	22.89	23.40	24.21	13
IFPRI	4.32	4.06	4.49	5.26	5.71	8.16	27
IITA	20.00	20.23	17.45	19.03	18.31	20.45	5
ILCA	11.81	12.62	13.70	14.89	13.93	16.74	2
ILRAD	8.50	8.78	9.32	10.90	11.34	12.61	22
IRRI	20.53	21.57	23.60	24.71	24.77	25.82	5
ISNAR	3.34	3.78	4.37	5.43	5.15	6.45	18
WARDA	2.12	1.87	3.72	4.25	5.76	4.62	55
Total	157.89	163.21	175.24	188.81	189.01	205.98	8

II: CGIAR Core Capital Expenditures^{1/} by Center (1984-1988)
(In US\$ millions)

	<u>Actuals</u>			<u>Plans</u>	<u>Estimates</u>	<u>Proposals</u>	1987 Estimates vs 1986 Actuals
	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1987</u>	<u>1988</u>	<u>%</u>
CIAT	1.36	.98	.77	1.19	2.30	1.00	8
CIMMYT	.79	.44	.98	.90	1.41	1.70	44
CIP	1.00	.63	.95	.42	.61	.70	36
IBPGR	-	-	-	-	-	-	-
ICARDA	4.58	3.73	1.82	.50	2.24	.20	23
ICRISAT	2.29	2.17	4.19	1.71	1.85	1.20	-56
IFPRI	.06	.22	.41	.07	.25	.10	-38
IITA	.73	2.27	1.76	2.57	2.61	2.84	48
ILCA	1.80	1.77	1.82	.10	.82	1.00	-55
ILRAD	.39	.43	.91	.55	.96	.64	6
IRRI	.98	.40	.36	1.54	1.22	.95	239
ISNAR	.03	.04	.21	.05	.36	.08	71
WARDA	-	-	-	.05	.08	.10	-
Total	14.01	13.08	14.18	9.65	14.70	10.51	4

^{1/} Excluding working capital.

III: Inflation Rates by Center (1984-1988)
(in percentages)

	1984	1985	1986	1987		1988
	Actual			Original	Actual	Budget
CIAT	3.5	3.5	4.0	4.0	3.0	4.0
CIMMYT	9.0	6.0	5.4	7.0	4.0	5.0
CIP	5.0	-3.0	25.0	5.0	3.0	5.0
IBPGR	7.0	7.0	7.0	7.0	2.0	2.0
ICARDA	9.0	9.0	9.1	3.0	2.0	6.5
ICRISAT	4.0	4.0	4.0	4.0	9.5	4.0
IFPRI	8.0	8.0	8.0	5.0	3.0	5.0
IITA	8.4	8.4	-6.4	8.0	4.0	5.0
ILCA	9.0	10.0	10.0	10.0	7.5	7.5
ILRAD	6.0	6.0	6.0	6.0	4.0	5.0
IRRI	6.0	6.0	6.0	6.0	4.0	5.0
ISNAR	6.0	6.0	17.4	6.0	3.0	3.5
WARDA	5.0	5.0	5.0	5.0	5.0	5.0
Total	6.5	5.8	6.0	5.8	4.3	5.0

CGIAR Secretariat
May 1988
EVL29

Core Operating Expenditures by Program
and Commodity/Activity (1984-1988)

1: CGIAR Research and Non-Research Expenditures (1984-1988)
(in US\$ millions)

	Actuals			Plans	Estimates	Proposals	1987 Estimates vs 1986 Actuals
	1984	1985	1986	1987	1987	1988	%
Research							
Cereals	27.03	27.41	29.67	31.02	31.24	33.58	5
Food Legumes	8.81	8.46	9.44	11.46	10.83	11.89	15
Food Policy	3.13	2.92	2.97	3.67	4.13	6.51	39
Livestock	13.91	14.86	15.44	16.31	16.98	18.41	10
Natural Resources	13.60	12.89	13.65	14.64	14.68	15.97	8
Roots and Tubers	7.51	7.55	6.46	6.75	6.59	7.77	2
Subtotal	73.99	74.09	77.63	83.85	84.45	94.13	9
Strengthening NARs							
Info/Comm/Lib/Doc	9.55	10.17	10.80	11.68	10.45	13.17	-3
Institution Building	3.78	5.82	10.12	11.99	11.97	13.00	18
Training/Conference	10.62	11.38	13.32	15.51	16.03	16.33	20
Subtotal	23.95	27.37	34.24	39.18	38.45	42.50	12
Research Support	18.63	19.69	20.07	21.20	20.09	22.26	-
Management							
Administration and General Operations	17.77 23.55	17.72 24.34	26.61 16.81	28.83 15.75	26.06 19.96	30.87 16.20	-2 19
Subtotal	41.32	42.06	43.42	44.58	46.02	47.07	6
Total Core Operations	157.89	163.21	175.24	188.81	189.01	205.96	8

II: CGIAR Core Research Expenditures (1984-1988)
(in US\$ millions)

	Actuals			Plans	Estimates	Proposals	1987 Estimates vs 1986 Actuals
	1984	1985	1986	1987	1987	1988	%
Cereals							
Maize	5.18	5.92	6.28	6.25	6.03	6.87	-4
Millet	2.25	2.11	2.08	2.20	2.20	2.27	6
Rice	10.31	10.53	11.72	12.82	13.29	13.69	13
Sorghum	1.75	1.57	1.62	2.09	1.73	2.76	7
Wheat and Barley	7.54	7.28	7.97	7.63	8.00	7.99	-
Subtotal	27.03	27.41	29.67	30.99	31.24	33.58	4
Food Legumes							
Beans	2.78	2.63	2.60	3.29	3.52	3.42	35
Food Legumes	4.77	4.55	5.36	6.20	5.57	6.63	4
Groundnut	1.26	1.28	1.48	1.97	1.73	1.84	17
Subtotal	8.81	8.46	9.44	11.46	10.83	11.89	15
Food Policy	3.13	2.92	2.97	3.67	4.13	6.51	39
Livestock							
Diseases	3.60	3.60	3.89	4.69	5.13	5.76	32
Production	10.31	11.26	11.55	11.62	11.84	12.65	1
Subtotal	13.91	14.86	15.44	16.31	16.98	18.41	9
Natural Resources							
Farming Systems	9.24	8.95	9.13	9.11	9.08	9.64	-
Genetic Resources	4.36	3.94	4.52	5.53	5.60	6.33	24
Subtotal	13.60	12.89	13.65	14.67	14.68	15.97	8
Roots and Tubers							
Potatoes	4.40	4.29	3.16	3.50	3.41	3.18	8
Roots and Tubers	3.11	3.26	3.30	3.25	3.18	4.59	-4
Subtotal	7.51	7.55	6.46	6.75	6.59	7.77	2
Total Core Research	73.99	74.09	77.63	83.85	84.45	94.13	9